

Trade Invest Monthly

Hawaii's International Business Network

HAWAII NOTICES

Hawaii Trade and Investment Missions to the Philippines and Korea

DBEDT invites firms to participate in the following missions to Philippines and Korea:

Investment & Strategic Alliance Mission to the Philippines - April 27-May 4, 2002

Sponsored by DBEDT and the Filipino Chamber of Commerce of Hawaii (FCCH). The Investment & Strategic Alliance Mission will present information on Hawaii's investment environment and business opportunities in the State to Philippine financial institutions and their clients, commerce federations and other organizations whose membership include potential partners and investors.

The Investment & Strategic Alliance Mission to the Philippines is an extensive, hands-on, seminar-driven mission that will provide participants with exposure to organizations interested in investments. Opportunities to display investment projects and to network with potential investors will provide mission participants with strategic contacts on securing investments.

To receive a registration form or to obtain more information, contact the Filipino Chamber of Commerce at Tel: (808) 843-0322, or by e-mail at: fcch@aloha.net

Trade Expansion Mission to Korea - June 7-16, 2002

DBEDT and the Hawaii Korean Chamber of Commerce (HKCC) invites Hawaii firms to promote their products and services during a Trade Expansion Mission to Seoul, Korea. The mission is intended to connect Hawaii mission participants with potential Korean customers or strategic partners that may help grow their info-tech, bio-tech (including agricultural bio-tech), education, tourism, or environmental business.

The DBEDT/HKCC Trade Mission will include participation in the Korea-Pacific U.S. States Economic Conference that is sponsored by the Korea-U.S. Economic Council and the states of Hawaii, Alaska, California, Oregon and Washington. The Mission will also include individual business-to-business meetings and site visits to Korean businesses.

To receive a registration form and to obtain more information, contact DBEDT at Tel: (808) 587-2750.

Chairman of the Federation of Hong Kong Business Associations Worldwide to Speak on *Extending Hawaii's Global Business Links*

On Saturday, March 2, 2002, The Hong Kong Business Association will hold its annual installation banquet and celebrate the "Year of the Horse" at the *Kahala Mandarin Oriental Hotel*, Honolulu.

The keynote speaker, Maxwell Brotman, CA – Chairman of the Federation of Hong Kong Business Associations Worldwide, will speak on "*Extending Hawaii's Global Business Links*". The Federation of Hong Kong Business Association Worldwide is a unique network of 28 Hong Kong Business Associations with some 7,700 members promoting trade and business links with and through Hong Kong in 22 countries around the world. Hawaii has an opportunity to make use of this vast network of business contacts.

This event is open to the public. For dinner reservations, contact Laisin Lee at Tel: (808) 342-8660 E-mail: laisin@hkbah.org Cost is \$60 per person. Space is limited. RSVP by February 27, 2002.

**Hong Kong Business Association of Hawaii (HKBAH) was formed in January 1996. The mission of the HKBAH is to facilitate trade, investment, and business opportunities between Hawaii and Hong Kong, China and its neighbors.*

Taiwan - Electronic Signature Law

A new Electronic Signature Law was ratified on October 31 by Taiwan's legislature, and formal implementation is expected before the end of 2002. The Law, which recognizes and gives legal effect to electronic documents and signatures, includes 17 articles that will further e-enable Taiwan's governmental administrative efficiency and push for faster development and application of electronic commerce (EC).

The Law's underlying principles are independence of technology, freedom of contract and the

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Photo: Island of Hawaii

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Worldwide Market Reports

To request reports, send the request for m by Fax (808) 587-3388 or email: tradeinvest@dbedt.hawaii.gov. The report service offered is reserved for Hawaii companies only. If you are outside of Hawaii and are interested in the reports highlighted in our newsletters, please go to the United States Department of Commerce website, www.stat-usa.com. You will have the choice of ordering the reports you need for a small fee or you can subscribe to their service for an annual fee and have unlimited access to all reports and services. Also, some of these market reports are located at www.usatrade.gov

Macadamia Nut Crop Update

Source: U.S. Department of Agriculture. Of interest to Hawaii's macadamia nut growers and processors are the three macadamia nut crop reports of Australia, Guatemala, and South Africa.

Australia

The U.S. Department of Agriculture reports that due to the 2001/2002 crop was average at an estimated 34,300 MT Nut-in-Shell (NIS) due to poor climactic conditions that lead up to harvest.

The total exports from the March to November 2001 period reached 23,750 MT NIS, a 2% decrease when compared to the same period in the previous year. Exports were kept high during an average production period due to low domestic pricing and a low Australian dollar exchange rate. Export demand is high and the supply is not adequate to fully supply export markets.

Australia is making efforts to diversify export market opportunities away from the larger market such as U.S. and Japan. In area where the Australian industry has been active in promotional efforts (Germany, for example) has shown an increase in volume.

The Australian Macadamia Society (AMS) reports that mature macadamia trees in Australia will yield about 20-30 kg NIS, a number similar to the Hawaii macadamia trees. However, as the average macadamia tree in Australia is less than 10 years old and has not reached full production, the average Australian yields are reported around 15-20 kg NIS. The yields will slowly increase over the long term as the average maturity of plantings increase.

The 2002/2003 crop is forecasted at 37,000 MT NIS, and the 2003/2004 crop is projected at 38,850 MT NIS. Increases assume average weather conditions and increased tree plantings.

Guatemala

Guatemala's crop increased 23% in 2001 compared to 2000. The 2002 crop is expected to be 5% more than the 2001 crop. This increase is due to good agricultural practices and the new plantings that are beginning to bear fruit.

In size, Guatemala's macadamia nut production is estimated at 9,360 MT (wet-in-shell). The 2002 crop is forecasted to increase to 9,800 MT (wet-in-shell).

The macadamia nut does not have the same consumer awareness in Guatemala as in Hawaii. This is due to the lower purchasing power of most Guatemalans, and the high cost of macadamia nut. As a result, the majority of the Guatemalan macadamia nuts are exported. In 2001, 9,000 MT (wet-in-shell) were exported, with 4,500 MT (wet-in-shell) exported to the U.S. The remaining

(Continued on page 4)

China News (please request reports for more details)

In the News

► Source: U.S. & Foreign Commercial Service - The China Internet Networks Information (CNNIC) reports that by the end of 2001 the number of Internet users in China had reached 33.7 million, up 49.8 percent over the same period in 2000 and that China had 277,100 websites, of which, 20.6 percent were based in Beijing. The CNNIC is the central authority and register of domain addresses and web site listing in China.

► Source: U.S. & Foreign Commercial Service - For the 2008 Summer Olympic Games, Beijing will be spending \$23 billion to build the facilities and infrastructure. In the telecom and IT area alone, the city plans to spend \$3.6 billion to buy and install the technology necessary to support a state-of-the-art event. It is anticipated that much of the technology will come from the United States. This presents enormous opportunities for U.S. companies.

China's WTO Accession Shakes Up the Chinese Retail Sector Source: U.S. & Foreign Commercial Service - China. With China's acceptance into the WTO, many of their market barriers and trade restrictions will be reduced or eliminated as China makes good on their commitments to open its domestically-dominated retail market to the world.

Since 1992, China has allowed a limited number of foreign retailers to enter into its retail market in 10 cities. However, market restrictions have remained, and those foreign retailers currently make up only a small part of China's 3 trillion yuan (US\$361 billion) annual retail volume.

With China's accession into the WTO, foreign retailers will have more opportunities to do more business in potentially the world's largest retail markets. Based on the WTO agreement, China will, within three years after its accession, eliminate most of the geographic, quantitative and ownership restrictions as well as the restrictions on the form of establishment.

Although there is still a way to go before full market liberalization, some of the major retailers are starting to make their presence felt. The French retail conglomerate *Carrefour* is the third largest retailer

in China with 28 stores and 6 million Yuan (US\$722 million) in 2001. Wal-Mart formerly entered the Beijing market in November, 2000, and plans to open more retail outlets in the next several years.

Domestic retailers are making adjustments in order not to lag behind after the WTO accession. To survive the fiercer competition, Chinese retail organizations are forming retail chains. Given China's huge potential in the Chinese retail sector, mergers and acquisitions will likely pick up.

Shanghai & East China Environmental Profile Source: U.S. & Foreign Commercial Service - China has set plans to reduce its total pollutant discharge by 10% by 2005 as compared with 2000. Spending on environmental protection during the 10th Five-year Plan period (2001-2005) is projected to reach 1.2% of GDP, approximately \$84 billion, to reduce point-source pollution, increase use of clean fuel technologies, improve ecological management, target key cities and regions, as well as amplify environmental protection policies, laws, and regulations.

South China Market Update

Source: U.S. Department of Agriculture. South China, particularly Guangdong province's Pearl River Delta, is not only one of China's wealthiest regions, but is also an excellent market for U.S. food and agricultural products.

Taking advantage of the south's more flexible customs area, importers in the area bring in millions of dollars worth of overseas products for consumption in the region and to distribute to domestic markets further north.

Availability of imported food and beverage products is not a problem for the south China's consumers. However, the import preferences are toward products that can be incorporated into the local cuisine. Also, the consumers prefer purchasing small, single serving packages over bulk packaging.

Prospects in the South China region include: candies, fresh fruit, hides/skins, live seafood, milk powder/baby formula, nuts, poultry meat and parts, snack products in general, wood, logs and lumber.

Japan News

In the News

Source: U.S. Department of Agriculture – Agriculture Trade Office Tokyo. Recent reports from various Japanese mass media and food press are below:

- ▶ AEON (formerly Jusco), in its efforts to promote health eating habits, is holding a “5 A Day” promotion focusing on the consumption of five fruits and vegetables a day. AEON expects that the “5 A Day” promotion will result in a 20% increase in produce sales over the next 10 years. (1/23/02 issue of *The Japan Food Journal*)
- ▶ Due to increasing popularity, beer companies plan to introduce more *happoshu* malt liquor products. Asahi beer plans to expand sales of its authentic draft beer by 30% over last year. Kirin also plans to introduce new *happoshu* varieties (1/17/02 issue of *The Japan Economic Newspaper*)
- ▶ As food sales in the basement floors of Japanese department stores are increasing while sales in other areas such as clothing are decreasing, department stores are putting more effort to expand their basement food floors by offering more *sozai* side dishes and western confectionery products. According to the Japan Department Store Association, food sales at the basement of department stores accounted for 19% of total sales of its members in 1990. This percentage increased to 23% in 2000. (1/4/02 issue of *The Nikkei Marketing Journal*)
- ▶ In a survey by C.G.C. Japan, out of 720 consumers, 70% of the respondents said that their eating habits changed after the detection of BSE in Japan. The frequency of eating domestic and imported beef declined for 70% of the respondents. Only 20% of the people believed the Government of Japan's safety declarations concerning beef. (1/17/02 issue of *The Japan Economic Newspaper*)

Japan Fishery Products Update Source: U.S. Department of Agriculture - Japan. Although Japan is the world's biggest per-capita seafood consuming country, data collected in the first half of 2001 shows that the overall fish consumption by Japanese households continues to decline.

The expenditures for fresh fish dropped 6%, salted & dried fish dropped 4%, and shellfish dropped by 11%.

The driving force behind the consumption decline is the ongoing recession and deflationary economic conditions. Japanese consumers are becoming more price-conscious in their purchasing habits.

However, the declining numbers for seafood consumption could be boosted upward by the fallout from the detection of BSE (Bovine Spongiform Encephalopathy) cases in Fall 2001. Customers are wary and are seeking alternatives to beef. For example, in September 2001, after the first BSE case was detected, household expenditures for fish increased 2% over the same period in 2000. Tuna gained 4% during that period, indicating that tuna, although expensive, is a perceived alternative to beef.

The U.S. is the largest supplier of seafood to Japan with 11% of total exports in 2000, but is losing market share over the past couple of years to Russia and China. Chile is also making gains in the salmon and trout categories.

Japan – New Allergen Labeling Requirements Source: U.S. Department of Agriculture – Japan. Beginning April 1, 2002, Japan's Ministry of Health, Labor and Welfare (MHLW) will introduce allergen labeling for food products in the Japan market.

The MHLW has recognized five ingredients – wheat, buckwheat, egg, milk and peanut – known to cause significant

allergic reactions and has subjected these items to mandatory allergen labeling.

With this change, the ingredient label must include designated potential allergens. Should a food product contain ingredients from a designated food allergen, the label must identify the source. The article states, “For example, lysozyme extracted from eggs needs to be labeled as ‘egg white lysozyme’ or ‘lysozyme (from egg)’ rather than just ‘lysozyme.’”

Labeling is required even if only trace amounts of any of the five designated foods is present as a result of residues or processing aids. As such, “it is necessary to confirm and record the use of such trace amounts of designated foods contained in the final foods. Inappropriate labeling of the five designated foods will be treated as a violation of the Food Sanitation Law, and could result in recalls.”

In addition, the MHLW recommended voluntary labeling for food products that contain 19 other ingredients considered as possible allergens. The 19 other products are: abalone, squid, salmon roe, shrimp, orange, crab, kiwi fruit, beef, chestnut, salmon, mackerel, soybean, chicken, pork, *matsutake* mushrooms, peach, yam, apple and gelatin.

The MHLW will monitor the allergen labeling through examining records of the importers, ingredient manufacturers, distributors and retailers. The importer will have to identify ingredients that could be allergens.

Japan Healthcare Source: U.S. & Foreign Commercial Service - Japan. The Government of Japan and the political parties agreed on December 18, 2001, to reduce government spending on Japan's healthcare budget. The reduction amount is 2.7% for the Japanese fiscal year period (April 1, 2002 to March 31, 2003), and represents the largest single year cut in Japan's healthcare funding.

Japan's healthcare expenditures exceed 30 trillion yen annually, and are increasing as Japan's population ages more rapidly than any other developed nation.

According to the Ministry of Health, Labor and Welfare (MHLW), if Japan continues to increase at the current levels, the national medical costs will be over 80 trillion yen by 2025.

How To Sell To Japan Defense Agency and U.S. Military

Source: U.S. & Foreign Commercial Service - Japan's military consists of the Ground, Maritime and Air Self-Defense Forces under the command of Japan Defense Agency (JDA). Japanese government regulations require all suppliers interested in selling to the JDA, whether domestic or foreign, to undergo pre-qualification screening to obtain the government supplier status with the JDA.

This screening process involves applying for registered agent status to the JDA with submissions using original Japanese language government documentation. Therefore, with the screening process and the Japanese language requirement, it is impractical for the nonresident U.S. supplier to pursue the direct sales approach to the JDA. It is highly recommended that the U.S. company seeking military sales team up with Japanese partners who are qualified to sell to the JDA.

Macadamia Nuts*(Continued from page 2)*

macadamia nuts were shipped to Japan, Taiwan, Hong Kong, Singapore, Canada, Sweden, and Norway.

The Guatemalan macadamia nut processors, according to two export companies, plan to focus on increasing exports over the next five years. The main focus is on the U.S. market.

The two major producers/processors/exporters in Guatemala are Nueces del Pacifico with 40% of the export market, and Agronomicas de Guatemala (Patzulin) with the remaining 60% of the export market.

Although macadamia nut awareness is pretty low with Guatemalans, there are indications that things are starting to change. The brand John Macadam has found acceptance and a niche market in Guatemala for its use of macadamia by-products in oils, confectioneries, processed macadamia nuts, and cosmetics.

The retail price of macadamia nuts in Guatemala is about \$9.00 bottled per pound.

South Africa

It is estimated that the South African macadamia production will increase in calendar year 2002 by 15% over 2001. It is estimate to reach 9,700 tons dry-in-shell in 2001.

The export market continues to drive the South African market, with 90% of its production sold in international markets annually. The biggest export market is the U.S. with 64%, followed by Europe with 22%.

Hong Kong - Cosmetics & Toiletries Market

Source: U.S. & Foreign Commercial Service – Hong Kong. With very little production of cosmetics and toiletries in the Hong Kong market, and the market shifts as a result of China's WTO accession, there are opportunities for U.S. cosmetic and toiletries manufacturers.

Key points in the market are as follows:

- Exporting cosmetics and toiletries into Hong Kong is relatively easy. There are no import duties or registration requirements.
- Hong Kong companies hope to take advantage of their geographical proximity to China, thereby resulting in increased opportunities for cosmetics and toiletries.

The manufacturer must provide market launch support and be willing to invest jointly with its agent or distributor in brand-building promotional activities and advertisements.

Singapore Government Upgrades GDP Forecast for 2002

Source: U.S. & Foreign Commercial Service – Singapore. In Prime Minister Goh Chok Tong's Chinese New Year message on February 11, 2002, he said that the Ministry of Trade and Industry has revised its calendar year 2002 GDP growth forecast to positive growth between 1-3%.

The previous Ministry of Trade and Industry estimate in October, 2001, projected a -2% to 2% GDP growth.

One of the current indicators that show signs of recovery is in the Purchasing Manager's Index Sub-Index for the electronics sector. In January, this sub-sector rose to 50.2, the first time the sub-index has been over 50 in twelve months. A reading above 50 indicates expansion in that sub-sector.

Although signs show that the Singapore recession may have bottomed out, Prime Minister Goh Chok Tong cautions that "sustained global economic recovery may still be some ways off."

Korea – Coffee Franchise Market

Source: U.S. & Foreign Commercial Service – Korea. As Koreans enthusiastically embrace foreign fashions and trends, this has resulted in rapidly expanded coffee franchises.

In 2001, with a growing demand for high-quality coffee among Koreans, 20 foreign and Korean coffee franchises made their debut in Korea, and this trend is expected to continue.

Leading the way in the market is Starbucks. Starbucks opened its first store in 1999 near Ewha Women's University in Seoul, and has started the trend of take-out coffee shops. Since then, other coffee chains such as Diedrich Roasters, Coffee Bean and Tea Leaf, Seattle's Best Coffee and others have entered this rapidly growing market. Starbucks continues to take the dominant role in this industry.

In regard to the coffee bean suppliers, of the 35 supplying companies, 18 are import firms, and 17 are domestic firms.

Note: coffee shops have traditionally been a cultural meeting place for the older Koreans – where they can get together and talk for hours. Although the coffee franchises cater to the younger generation, it is recommended that they also provide many of the amenities of a coffee shop (comfortable seating, food menu, wine & beer sales) if the franchises wish to capture a larger market base.

Taiwan - Electronic Signature Law*(Continued from page 1)*

spirit of free markets.

- The Legislation replaces "digital signatures" with "electronic signatures" to encompass any technology that can securely identify the signatory.
- Contracting parties can mutually agree on the technology they would like to use for electronic signatures.
- The Law is technology neutral, meaning it does not specify what types of authentication technologies which will or will not be recognized by the Taiwan authorities.
- The Legislation imposes only minimal regulation over certificate authorities (CAs). Any organization or legal person who wants to be a CA only needs to submit its Certificate Practice Statement (CPS) to Ministry of Economic Affairs (MOEA) for approval. Once approved, the legislation requires every CA to publish its CPS on the web for public access.
- The Legislation adopts the following principles to deal with issues regarding foreign certificates - a) Mutuality principle: If the law of the issuing country recognizes the validity and legal effect of the certificates issued by the certificate authorities in Taiwan, the legislation will also consider the foreign certificates with the same effect and validity. b) Equivalent secure requirements principle: the law will recognize all certificates issued by certificate authorities outside Taiwan as long as the foreign certificate authorities meet the security requirements set up in the Legislation.

Report Request Form**Trade Invest Monthly****Hawaii's International Business Network**

Company: _____
 Contact person: _____
 Address: _____

 City: _____
 Zipcode: _____
 Telephone: _____
 Facsimile: _____
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Report(s) requested:

- ☐ Macadamia Nut Crop Update
- ☐ Korea - Coffee Franchise
- ☐ Taiwan - Electronic Signature Law
- ☐ Hong Kong—Cosmetics & Toiletries

China News

- ☐ WTO Shakes Up China Retail Sector
- ☐ Shanghai/East China Environmental Profiles

Japan News

- ☐ Allergenic Labeling
- ☐ Seafood Overview
- ☐ Healthcare
- ☐ Selling to Defense Agency / US Military

OTHER REPORTS (reference issue date):

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